87-846

No. _____

Supreme Court, U.S.
FILED
NOV 21 1987
JOSEPH F. SPANIOL, JR.
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1987

In re KENDAVIS HOLDING COMPANY AND KENDAVIS INDUSTRIES INTERNATIONAL, INC.,

Debtors

K.W. DAVIS, JR., ALANA LAWLER, ALANA LAWLER TRUST "A", A.T. DAVIS, A.T. DAVIS TRUST "A", KAY DAVIS, KAY DAVIS TRUST "A", TRICIA KAE LAWLER, ALANA LAWLER CHILDREN'S TRUST, ALLEN KENNETH DAVIS, JANIECE BREANNE DAVIS, A.T. DAVIS CHILDREN'S TRUST, KAY DAVIS CHILDREN'S TRUST, T.C. DAVIS, II, T. C. DAVIS, II TRUST, T.C. DAVIS, II TRUST "A", T.C. DAVIS, II TRUST "A" DATED JANUARY 15, 1982, BRIAN KEITH DAVIS, BRIAN KEITH DAVIS TRUST, BRIAN KEITH DAVIS TRUST "A", BRIAN KEITH DAVIS TRUST DATED JANUARY 15, 1982, CHESLEY DAVIS, CHESLEY DAVIS TRUST, TREY DAVIS, TREY DAVIS TRUST, KEN W. DAVIS FOUNDATION, AND TWALLA DUPRIEST, TRUSTEE FOR ESTATE OF T.C. DAVIS,

Petitioners

v.

THE OFFICIAL UNSECURED CREDITORS' COMMITTEES FOR KENDAVIS HOLDING COMPANY AND KENDAVIS INDUSTRIES INTERNATIONAL, INC., KENDAVIS HOLDING COMPANY, FEDERAL DEPOSIT INSURANCE CORPORATION, BANK OF NOVA SCOTIA, AND MBANK HOUSTON, N.A.

Respondents

APPENDIX TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

DAVID KLINE
RICHARD E. COULSON*
STEPHEN W. ELLIOTT
KLINE & KLINE
720 N.E. 63rd
Oklahoma City, OK 73105
(405) 848-4448
Attorneys for Petitioners

**Counsel of Record*

EDITOR'S NOTE

THE FOLLOWING PAGES WERE POOR HARD COPY AT THE TIME OF FILMING. IF AND WHEN A BETTER COPY CAN BE OBTAINED, A NEW FICHE WILL BE ISSUED.

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28 U.S.C. § 455 (1982)

DISQUALIFICATION OF JUSTICE, JUDGE, OR MAGISTRATE

(a) Any justice, judge, or magistrate of the United States shall disqualify himself in any proceeding in which his impartiality might reasonably be questioned.

(b) He shall also disqualify himself in the following circumstances:

(1) Where he has a personal bias or prejudice concerning a party, or personal knowledge of disputed evidentiary facts concerning the proceeding;

(2) Where in private practice he served as lawyer in the matter in controversy, or a lawyer with whom he previously practiced law served during such association as a lawyer concerning the matter, or the judge or such lawyer has been a material witness concerning it;

(3) Where he has served in governmental employment and in such capacity participated as counsel, adviser or material witness concerning the proceeding or expressed an opinion concerning the merits of the particular case in controversy;

(4) He knows that he, individually or as a fiduciary, or his spouse or minor child residing in his household, has a financial interest in the subject matter in controversy or in a party to the proceeding, or any other interest that could be substantially affected by the outcome of the proceeding;

(5) He or his spouse, or a person within the third degree of relationship to either of them, or the spouse of such a person:

(i) Is a party to the proceeding, or an officer, director, or trustee of a party;

(ii) Is acting as a lawyer in the proceeding;

(iii) Is known by the judge to have an interest that could be substantially affected by the outcome of the proceeding;

(iv) Is to the judge's knowledge likely to be a material witness in the proceeding.

(c) A judge should inform himself about his personal and fiduciary financial interests, and make a reasonable effort to inform himself about the personal financial interests of his spouse and minor children residing in his household.

(d) For the purposes of this section the following words or phrases shall have the meaning indicated:

(1) "proceeding" includes pretrial, trial, appellate review, or other stages of litigation;

(2) the degree of relationship is calculated according to the civil law system;

(3) "fiduciary" includes such relationships as executor, administrator, trustee, and guardian;

(4) "financial interest" means ownership of a legal or equitable interest, however small, or a relationship as a director, adviser, or other active participant in the affairs of a party, except that:

(i) Ownership is a mutual or common investment fund that holds securities is not a "financial interest"

in such securities unless the judge participates in the management of the fund;

(ii) An office in an educational, religious, charitable, fraternal, or civic organization is not a "financial interest" in securities held by the organization;

(iii) The proprietary interest of a policyholder in a mutual insurance company, of a depositor in a mutual savings association, or a similar proprietary interest, is a "financial interest" in the organization only if the outcome of the proceeding could substantially affect the value of the interest;

(iv) Ownership of government securities is a "financial interest" in the issuer only if the outcome of the proceeding could substantially affect the value of the securities.

(e) No justice, judge, or magistrate shall accept from the parties to the proceeding a waiver of any ground for disqualification enumerated in subsection (b). Where the ground for disqualification arises only under subsection (a), waiver may be accepted provided it is preceded by a full disclosure on the record of the basis for disqualification.

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 87-1251

In The Matter Of:

KENDAVIS HOLDING COMPANY, et al., Debtors.

KENDAVIS HOLDING COMPANY, et al.,
Plaintiffs-Appellants,

versus

THE OFFICIAL UNSECURED CREDITORS' COMMITTEES FOR KENDAVIS HOLDING COMPANY, KENDAVIS INDUSTRIES INTERNATIONAL, INC., and LOFFLAND BROTHERS CO.,
Defendants-Appellees.

Appeal from the United States District Court for the Northern District of Texas (CA3-86-2995"G")

(September 24, 1987)

Before BROWN, GARZA and REAVLEY, Circuit Judges.

Per Curiam:*

* Local Rule 47.5 provides: "The publication of opinions that have no precedential value and merely decide particular cases on the basis of well-settled principles of law imposes needless expense on the public and burdens on the legal profession." Pursuant to that Rule, the court has determined that this opinion should not be published.

The court can find no merit in this appeal. Former stockholders in an insolvent debtor corporation and former management of that corporation, claiming rights of representation of creditors that can now be fully paid, want

to vacate a plan of reorganization that has been substantially implemented. The one aspect of the appeal that is not frivolous is the contention that the bankruptcy judge who confirmed the plan was disqualified under 28 U.S.C. § 455. Under some circumstances that issue would deserve an evidentiary hearing before the district court, but under the circumstances of this case the district judge was entitled to accept the bankruptcy judge's statement of his lack of knowledge that the corporation in which he held stock was the corporate parent of a creditor of the bankrupt debtor and might be affected by the outcome of the proceeding. The record does not justify questioning the bankruptcy judge's assurance. Furthermore, we think it clear that the bankruptcy judge's impartiality could not reasonably be questioned.

The record shows that the original bankruptcy judge immediately removed himself from the case when he found that a corporation in which he owned a very small share of the stock was a corporate parent of a creditor. Orders have been issued by another bankruptcy judge, and steps have been taken by the corporate successor to the debtor, implementing the plan. An evidentiary hearing could only add needless expense and delay the necessary continuation of the plan.

To avoid any doubt on the character of our holding we make clear that, disregarding the contentions or holdings by the district court on standing, this court has examined and determined all issues on their intrinsic merits or lack thereof.

AFFIRMED.

Filed in The U.S. Court of Appeals on September 30, 1987

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 87-1251

In The Matter Of:

KENDAVIS HOLDING CO., et al.,
Plaintiffs-Appellants,

versus

THE OFFICIAL UNSECURED CREDITORS' COMMITTEES FOR KENDAVIS HOLDING CO., KENDAVIS INDUSTRIES INTERNATIONAL, INC., and LOFFLAND BROTHERS CO.,
Defendants-Appellees.

Appeal from the United States District Court for the Northern District of Texas

CERTIFICATE

I certify that because of the emergency created by recusals of assigned judges and the unavailability of active judges of the Fifth Circuit to serve on the panel assigned to hear this case, it was necessary to constitute the panel with two senior judges of this circuit.

Witness my signature this 16th day of September 1987.

/s/ CHARLES CLARK
Chief Judge

UNITED STATES COURT OF APPEALS
FIFTH CIRCUIT

Office Of The Clerk

GILBERT F. GANUCHEAU
Clerk

Tel. 504-589-6514
600 Camp Street
New Orleans, LA 70130

July 15, 1987

TO COUNSEL LISTED BELOW:
No. 87-1251 — In Re: Kendavis Holding Co.

Dear Counsel:

The Court regrets to advise that it now appears that all members of the panel which heard argument in the above matter on June 3, 1987 are recused. Therefore, the submission of this case for decision to that panel has been vacated.

The case has now been scheduled to be re-argued before a different panel of judges who will not be disqualified, on Wednesday, September 16, 1987 at 9:00 a.m. in the East Courtroom, Room 223 of the U. S. Court of Appeals Building, 600 Camp Street, New Orleans, Louisiana. The Court will allow a period of 30 minutes to the side. Counsel are requested to acknowledge receipt on the enclosed acknowledgment form.

Counsel for FDIC is being informed that their letter of June 1, 1987, that the FDIC will not offer oral argument but join in and adopt the argument offered by appellee Official Unsecured Creditors Committee, has been sent to the new panel members. If this will not be the situation for the next argument, counsel should so inform this office.

Very truly yours,

/s/

GILBERT F. GANUCHEAU
Clerk

GFG/jmg
Enclosure

Ms. Barbara J. Houser
Mr. Richard E. Coulson
Mr. J. Lyndell Kirkley
Mr. David C. Heiman
Mr. Joseph U. Schorer
Mr. J. Maxwell Tucker
Mr. Stephen A. Goodwin
Mr. Jerry Beane
Mr. George J. Wade

Filed in the U.S. District Court,
Northern District of Texas on
April 10, 1987

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In Re: KENDAVIS HOLDING COMPANY, et al., *Debtors/Appellants.*	CIVIL ACTION NO. CA 3-86-2995-G

MEMORANDUM ORDER

This case is before the court on appellants' motion to vacate and set aside the following rulings and orders of the Bankruptcy Court:

1. November 14, 1986 letter ruling;
2. November 24, 1986 order confirming the Official Unsecured Creditors Committees' Modified Joint Plan of Reorganization as to Kendavis Holding Company and Kendavis Industries International, Inc. (and related findings of fact, rulings, and conclusions of law);
3. August 6, 1986 order denying confirmation of the Debtors' Third Amended Joint Plan of Reorganization (and related findings of fact, rulings, and conclusions of law); and
4. November 24, 1986 order denying Debtors' motion for new trial.

The motion is made under Rule 60(b)(4) of the Federal Rules of Civil Procedure, as incorporated into Bankruptcy Rule 9024. Although not cast in the form of an appeal, the

motion is brought here because this court has jurisdiction over the orders in question until an appeal is taken from this court's rulings dated March 26, 1987.[1] The movants are parties to the prior bankruptcy proceedings.

For the reasons set forth in this court's memorandum orders and orders of March 26, 1987, the court remains convinced that appellants lack standing to appeal the confirmation of the Committees' plan and that the denial of confirmation of the Debtors' plan was not clearly erroneous. Thus, it is arguable that appellants lack standing to make this motion to vacate. Even assuming that appellants do have standing, however, this court is of the opinion that the motion to vacate should be DENIED.

Appellants base their motion to vacate on three grounds:

1. The orders in question are null and void because those orders were entered by a judge disqualified under 28 U.S.C. § 455(b)(4);
2. The orders in question are null and void because those orders were entered by a judge disqualified under 28 U.S.C. § 455(a); and
3. The appellants and all interested parties were deprived of their constitutional right to due process because Judge McGuire had a financial interest in a party to the bankruptcy cases.

---

[1] Notice of appeal from those rulings was given April 9, 1987. Under the general rule of this circuit, this court would ordinarily lose power, after such a notice, to take any further action except in aid of the appeal or to correct clerical errors. Nicol v. Gulf Fleet Supply Vessels, Inc., 743 F.2d 298, 299 (5th Cir. 1984). *Harcon Barge* requires, however, that this motion to vacate be deemed to have been brought under Rule 59. Harcon Barge Co., Inc. v. D & G Boat Rentals Inc., 784 F.2d 665, 667 (5th Cir.) (en banc), *cert. denied*, 107 S.Ct. 398 (1986).

The facts giving rise to the instant motion are as follows. Shortly after bankruptcy judge Robert C. McGuire was assigned the Kendavis cases in 1985, he learned that a bank named "Morgan" was involved. Individually and as trustee of two trusts under his mother's will, Judge McGuire held stock in J.P. Morgan & Co. Incorporated. He therefore called his broker to determine if there was any connection. Judge McGuire's recollection is that the broker told him that J.P. Morgan & Co. Incorporated and Morgan Guaranty Trust Company were separate companies and not connected.

Judge McGuire receives the Value Line Stock Reporting Services ("Value Line"). On the night of March 22, 1987, he noticed for the first time, while reading Value Line, that J.P. Morgan & Co. Incorporated, the company in which he held stock, owned Morgan Guaranty Trust Company of New York, a creditor in these cases. Although Judge McGuire felt certain that Value Line had set forth this information in its report every three months for the last three years, he had never noticed it until the night of March 22, 1987.

Judge McGuire called his broker the following day. The broker did not remember the earlier conversation, but told Judge McGuire that "if [Judge McGuire] said it took place, he's sure it did." Transcript of Proceedings, March 23, 1987, p. 4. The broker confirmed the information in Value Line to Judge McGuire. Later that same day, Judge McGuire notified counsel for the parties of the above facts. His most recent financial disclosure report reveals that he owns 808 shares of J.P. Morgan & Co. Incorporated. On March 26, 1987, Judge McGuire recused himself.

Appellants urge that their motion to vacate should be granted because the orders in question were entered by a bankruptcy judge disqualified under 28 U.S.C. § 455(b)(4). § 455(b)(4) provides, in pertinent part, that a judge shall

disqualify himself when he knows "that he, individually or as a fiduciary, . . . has a financial interest in the subject matter in controversy or in a party to the proceeding, or any other interest that could be substantially affected by the outcome of the proceeding." 28 U.S.C. § 455(b)(4).

By its own terms, § 455(b)(4) requires the judge to have knowledge of the interest. There is no "constructive knowledge" under § 455(b)(4). *See* Health Services Acquisition Corporation v. Liljeberg, 796 F.2d 796, 802 (5th Cir. 1986), *cert. granted*, 107 S.Ct. 1368 (1987). A judge who learns that he has a financial or other interest in a case is generally required only to recuse himself from future proceedings. *Health Services Acquisition Corporation v. Liljeberg, supra*, 796 F.2d at 801. Absent prior knowledge, the orders of a disqualified judge entered before acquiring knowledge remain valid under § 455(b)(4).

This court is persuaded that Judge McGuire did not have actual prior knowledge of his financial interest. He has fulfilled the requirements of § 455(b)(4) by his prospective recusal when he first learned of the disqualifying interest. It is thus unnecessary to vacate the rulings made by Judge McGuire prior to March 23, 1987.

Appellants also urge that their motion to vacate should be granted because the orders in question were entered by a judge disqualified under 28 U.S.C. § 455(a). In pertinent part, § 455(a) provides that any "judge . . . of the United States shall disqualify himself in any proceeding in which his impartiality might reasonably be questioned." 28 U.S.C. § 455(a).

Rather than explicitly requiring knowledge, § 455(a) establishes an objective test which looks to whether "the reasonable man, were he to know all the circumstances, would harbor doubts about the judge's impartiality." *Health Services Acquisition Corporation v. Liljeberg, supra*, 796 F.2d at 800,

citing Potashnick v. Port City Construction Company, 609 F.2d 1101, 1111 (5th Cir.), *cert. denied*, 449 U.S. 820 (1980). The court in *Health Services* took an expansive view of the reasonable man standard, holding that recusal is required under § 455(a) even when a judge lacks actual knowledge of the facts indicating his interest or bias in the case, if a reasonable person, knowing all the circumstances, would expect that the judge would have actual knowledge (i.e., constructive knowledge). *Health Services Acquisition Corporation v. Liljeberg, supra*, 796 F.2d at 802. The court cautioned, however, that

> because of the harsh consequences that can result, knowledge of facts requiring recusal should not be lightly imputed to a judge. Where a reasonable person would only speculate that a judge might have actual knowledge of the facts, constructive knowledge does not exist.

Health Services Acquisition Corporation v. Liljeberg, supra, 796 F.2d at 803.

The facts in *Health Services* are a far cry from those in this case. Unlike the trial judge in *Health Services*, Judge McGuire never knew of the connection between J.P. Morgan and Morgan Guaranty until after he entered the orders in question. Before proceeding in the Kendavis cases, Judge McGuire asked a knowledgeable professional whether a relationship existed between Morgan Guaranty and J.P. Morgan and was told that it did not. Thus, there would have been no reason for Judge McGuire to review anything he received, such as Value Line, to determine whether any such relationship existed.

This court is of the opinion that a reasonable person, knowing all the surrounding circumstances, would not expect that Judge McGuire had actual or constructive knowledge of

any conflict. Judge McGuire's previous rulings in the Kendavis cases thus should stand. Davis v. Xerox, Case No. 85-6285, slip op. (9th Cir. March 3, 1987) at 7-8; *Health Services Acquisition Corporation v. Liljeberg, supra*, 796 F.2d at 803.

Finally, the appellants urge their motion to vacate on due process grounds. A fair trial in a fair tribunal is a basic requirement of due process. In re Murchison, 349 U.S. 133, 136 (1955). Due process is denied when the judge has a direct, personal, substantial pecuniary interest in reaching a conclusion against a party in the case. Tumey v. State of Ohio, 273 U.S. 510, 523 (1927). *See also* Aetna Life Insurance Co. v. Lavoie, _____ U.S. _____, 106 S.Ct. 1580, 1584, 1589 (1986). The constitutional guarantee of due process is independent of the rights conferred by § 455. Yet, it was to protect this guarantee that the recusal statutes were enacted. 13A Wright, Miller & Cooper, FEDERAL PRACTICE AND PROCEDURE, § 3541, at 550 n. 6 (1984). It would be anomalous to hold that a claim under the statutes insufficient on its merits could nevertheless satisfy constitutional standards. In re International Business Machines Corporation, 475 F.Supp. 1372, 1390 (S.D.N.Y. 1979), *aff'd*, 618 F.2d 923, 932 n. 11 (2d Cir. 1980).

The record reflects that the shares held by Judge McGuire consistently represented only .00023% approximately of J.P. Morgan's common stock. Given the court's previously announced conclusion that the facts in this case do not warrant retrospective recusal under the relevant statutes, §§ 455(a) or (b)(4), it would be similarly anomalous to hold that appellants satisfied the constitutional, but not statutory, standards.

For the foregoing reasons, the appellants' motion to vacate is **DENIED.**

SO ORDERED.

April 10, 1987.

/s/ A. JOE FISH
A. Joe Fish
United States District Judge

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In Re:

KENDAVIS HOLDING COMPANY,
KENDAVIS INDUSTRIES
INTERNATIONAL, INC.,
LOFFLAND BROTHERS COMPANY
MID-CONTINENT SUPPLY CO.,
GEODRIL, INC.
LOFFLAND BROTHERS EASTERN
HEMISPHERE, INC., and
LOFFLAND BROTHERS
(SINGAPORE) PTE., LTD.,

Debtors

Case No. 385-30348-M-11

• • • • • • • • • • • • • •

TRANSCRIPT OF PROCEEDINGS

• • • • • • • • • • • • • •

BE IT REMEMBERED THAT on the 23 day of March, 1987, before the Honorable Robert C. McGuire, United States Bankruptcy Judge, at Dallas, Texas, the above-styled and numbered cause came on for Hearing and the following constitutes the Transcript of such proceeding as hereinafter shown:

P-R-O-C-E-E-D-I-N-G-S

THE COURT: You all there?

MR. FLOWERS: Yes, we are. Flowers and Houser are here, Judge.

MR. BLINN: We have Goodwin and Blinn.

THE COURT: Something came to my attention last night that I think you all need to be aware of. I felt that communication with you two as representatives of the remaining diverse groups would be sufficient notice initially, and I'm having this conference reported.

When I first got into the Kendavis cases and became aware there was a bank named Morgan involved it, I called my broker because individually and as Trustee of two trusts, my brothers, under my mother's will, I held stock interest in J.P. Morgan Company.

My recollection is that the broker told me the J.P. Morgan Company and Morgan Guaranty were separate companies and aren't connected. I get the Value Line Stock Reporting Services, and every three months they report on the companies they cover. Last night for the first time I noticed in reading the discussion on J.P. Morgan Company, Inc., that it stated that J.P. Morgan Company owns Morgan Guaranty Trust Company of New York. I'm sure that it has had this statement in there on every three month's report for the last three years, but I never noticed it until last night.

Except for stock splits on the stock in 1985 and 1987, my ownership in the stock has not changed and there have been no trades or sales by me of it. The stock interest is not a diminimus amount. When I called the broker today he said he didn't remember the conversation, but if I said it took place, he's sure it did. Frankly, I wish his memory was better but the facts are what they are. He also today confirmed the information in Value Line.

Under the circumstances, and if in truth and in fact J.P. Morgan Co., Inc. does own Morgan Guaranty Trust Company of New York, which it appears that it does, then it appears that I should recuse myself from further consideration of these cases. I have not talked to Judge Abramson yet about

taking them on since this matter just came to my attention, and I realize that this is just coming to your attention and you may want to evaluate it before making any comment.

I'm going to be in Wichita Falls Tuesday and Wednesday of this week. It appears to me that perhaps a starting point would be for you to check with Mr. Lewis regarding the relationship of the banks, although, apparently, there's not much question about it. Also, I would be willing to immediately dispose of the J.P. Morgan stock and continue in the case, but I think that puts the attorneys and clients in an uncomfortable position for a number of reasons. In a case on another occasion where recusal was not really involved, I followed a procedure which I had heard recommended elsewhere, and that was to give the attorney a certain period of time to call my secretary without identifying themselves to advise if they preferred me to recuse myself. If the call was received, then I would sign the order of recusal; if not, then I would remain in the case. In this instance, I can, if the facts on Morgan are as they appear to be, recuse myself and or follow the procedure indicated, and if no calls were received, sell the stock and remain in the case.

I realize that this is hitting you all out of the blue, as it did me, and since I will be out of town Tuesday and Wednesday, I would suggest we set up a time now for you to come in either on Thursday or Friday for a brief status conference. The status conference would not discuss the merits at all. It would just be for the purpose of disposing of this issue or setting up a procedure for disposing it.

Additionally, in the interim, I will have the opportunity to discuss it with Judge Abramson. The statute involved is 28 U.S.C., Section 455. This particular basis for recusal cannot be waived by the parties. The only issue is whether ownership in a parent is ownership of a subsidiary for purposes of Section

455; however, I think that perhaps is a nonissue. My suggestion is, and I'm not asking for any of your comments at this time unless you think they're appropriate, to perhaps either Thursday or Friday morning maybe we could have a meeting at 8:30 and you give me whatever thoughts you want to give me on it. Does either side have any comment they wish to make?

MR. FLOWERS: Judge, the 8:30 time on Thursday would be fine with us.

MR. BLINN: This is John Blinn. That's fine with us as well, Judge.

THE COURT: Unless somebody wants to say something, why don't we plan to meet at 8:30 on Thursday morning then.

MR. FLOWERS: Fine.

MR. FLOWERS: Thank you.

THE COURT: Okay. See you then.

CERTIFICATION

I, DARLA M. CHAVEZ, certify that during the proceedings in the foregoing styled and numbered cause, I was the official Court Reporter and took in stenograph notes such proceedings and have transcribed the same as shown by the above and foregoing ____ pages, and that said transcript is true and correct.

This the ____ day of _____, 1987.

_____

U.S. BANKRUPTCY COURT REPORTER
THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

March 20, 1987

THE VALUE LINE Investment Survey

Part 1 Summary & Index

File at the front of the Ratings & Reports binder. Last week's Summary & Index should be removed.

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The Median of Estimated **PRICE-EARNINGS RATIOS** of all stocks with earnings

16.9

26 Weeks Ago*	Market Low 12-23-74*	Market High 12-13-68*
14.7	4.8	19.0

The Median of **ESTIMATED YIELDS** (next 12 months) of all dividend paying stocks under review

2.4%

26 Weeks Ago*	Market Low 12-23-74*	Market High 12-13-68*
2.7%	7.8%	2.7%

The Estimated Median **APPRECIATION POTENTIAL** of all 1700 stocks in the hypothesized Economic environment 3 to 5 years hence

40%

26 Weeks Ago*	Market Low 12-23-74*	Market High 12-13-68*
55%	234%	18%

*Estimated medians as published in *The Value Line Investment Survey* on the dates shown.

ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER

Numeral in parenthesis after the industry is rank for probable performance (next 12 months).

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Aerospace Defense (69)	551	Distilling,Tobacco (21)	334	*Investment Company (33)	2093	Publishing (25)	1787
Air Transport (12)	251	Drug (8)	1250	Japanese Diversified (75)	1580	Railroad (61)	300
Aluminum (66)	1217	Drugstore (86)	786	Machinery (41)	1301	Real Estate (82)	668
Apparel (22)	1601	Electrical Equipment (47)	1001	Machinery (Const. & Mng.)(67)	1356	R.E.I.T. (74)	1189
Auto & Truck (29)	101	Electric Utility (Central) (81)	701	Machine Tool (78)	1344	Recreation (63)	1751
Auto Parts (OEM) (83)	802	Electric Utility (East) (80)	175	Manu. Housing/Rec. Veh. (68)	1548	Restaurant (84)	312
Auto Parts (Replacement) (42)	112	Electric Utility (West) (90)	1715	Maritime (87)	291	Retail (Special Lines) (48)	1681
*Bank (31)	2001	Electronics (55)	1027	Medical Services (89)	1274	Retail Store (39)	1832
Bank (Midwest) (34)	643	European Diversified (5)	825	Medical Supplies (14)	211	Savings & Loan (24)	1151
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Canadian Energy (50)	430	Gold (No. American) (2)	1217	Natural Gas (Utility) (70)	467	Steel (Integrated) (53)	1419
Cement (30)	902	Grocery (72)	1502	Newspaper (6)	1811	*Steel (Specialty) (40)	2109
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NAME OF STOCK	Ticker Symbol	Recent Price	Timeliness	Safety	Beta	Estimated Range of 3-5 yr. average prices 1990-91	Current P/E Ratio	Est'd Yield Next 12 mos.	Est'd Earns. 12 mos. to 6-30-87	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Technical Rank Qtr. Ended	Latest Div'd	Year Ago	Where Options Trade
874 1895 Milepore Corp (OTC)	MILI	42	1	3	1.15	50- 75 (20- 80%)	27.1	0.8%	1.55	.34	10	12/31	.46	.36	6/30	.07	.06	3
189 Miller, Roy	MRC	13	3	3	1.00	18- 25 (40- 90%)	37.1	3.4%	.35	.44	39	12/31	.08	d.05	3/31	.11	.11	4
1439 1897 Minnesota Mining	MMM	125	3	1	1.10	140- 175 (10- 40%)	17.0	3.6%	7.35	3.72	10	12/31	1.83	1.53	3/31	▲.93	.90	2 CBO
731 Minnesota Power & Li	MPL	29	2	2	.75	30- 45 (5- 55%)	10.9	5.7%	2.90	1.66	81	12/31	.44	.38	3/31	▲.415	.38	2
484 Mitchell Energy & Dev (ASE)	MND	14	3	4	1.15	14- 20 (0- 45%)	88.7	1.7%	.21	.24	58	1/31	♦.03	.29	6/30	.06	.06	3 PAC
773 Mitel Corp	MLT	5¾	3	5	1.20	8- 15 (40-160%)	NMF	NIL	d.58	NIL (h)	66	11/30	d.02(b)	d.69(b)	12/31	NIL(b)	NIL(b)	3
413 Mobil Corp	MOB	44	3	2	.95	40- 60 (N- 35%)	14.3	5.8%	3.07	2.20	51	12/31	.74	1.20	3/31	.55	.55	1 CBO
774 Mobile Communic 'B' (OTC)	MCCAB	26	3	4	1.10	25- 40 (N- 53%)	70.3	NIL	.37	NIL	66	9/30	.07	.08	12/31	NIL	NIL	1
888 Modine Mfg (OTC)	MODI	31	3	3	.75	35- 50 (15- 60%)	10.7	2.5%	2.89	.76	83	12/31	.86	.56	3/31	.19	.17	3
1571 923 Mohasco Corp	MOH	36	3	3	.95	35- 50 (N- 40%)	17.2	1.8%	2.09	.36	32	12/31	.75	.76	3/31	.09	.08	3
1194 Monarch Data Sciences	MOS	2⅞	3	5	1.35	5- 9 (100-260%)	8.1	NIL	.31	NIL	7	1/31	.07	d.33	3/31	NIL	NIL	3
1840 Molex Inc (e) (OTC)	MOLX	43	2	3	1.05	45- 65 (5- 50%)	25.3	0.1%	1.70	.03	56	12/31	.38	.29	3/31	.007	.005	3
1545 Molson Cos Ltd A (TSE)	MOLA TO	25 (b)	3	2	.65	30- 45 (20- 80%)	12.4	3.2%	2.01	.80	16	12/31	.50(b)	.30(b)	3/31	.20 (b)	.20 (b)	4
1449 1294 Monarch Capital Corp	MON	80	2	3	.95	95- 140 (5- 80%)	16.8	NIL	5.43	NIL	57	12/31	1.83	1.21	3/31	NIL	NIL	3
1398 Monarch Mach. Tool	MMO	17	3	3	.95	20- 25 (20- 45%)	63.0	4.7%	.27	80-NIL	78	12/31	.17	.26	3/31	.20	.20	4
1894 1495 Monfort of Colorado (OTC)	MNFT	79	–	3	.55	45- 65 (N- N%)	12.8	1.1%	5.99	.90	38	11/30	1.43	1.37	3/31	.90	NIL	4
1672 Monolithic Memories (OTC)	MMIC	15	3	4	1.55	18- 30 (20-100%)	28.8	NIL	.52	NIL	77	12/31	.08	.02	3/31	NIL	NIL	3 PAC
1141 1246 Monsanto	MTC	78	3	3	1.10	110- 165 (40-110%)	15.2	3.5%	5.12	2.75	18	12/31	.58	d.36	3/31	.65	.575	2 CBO
1728 Montana Power	MTP	40	3	3	.80	40- 55 (0- 40%)	12.5	6.8%	3.21	2.71	80	12/31	1.13	.58	3/31	▲.67	.60	3
2104 Montgomery St Inc Sec	MTS	22	3	1	.55	20- 25 (N- 15%)	NMF	9.1%	NMF	2.00	33	6/30	19.75(q)	18.52(q)	9/30	.47	.48	3
1178 MONY Real Estate Inv	MYM	9¼	3	2	.75	12- 17 (30- 85%)	12.4	7.7%	.75	72- .88	74	11/30	.14	.20	3/31	.22	.22	3
671 Moog Inc 'A' (ASE)	MOG.A	16	4	4	1.35	20- 35 (25-120%)	13.1	1.8%	1.22	.28	69	12/31	.11	.25	6/30	.07	.07	3
1125 Moore Corp	MCL	24	5	1	.85	20- 30 (N- 25%)	16.0	3.1%	1.50	.74	52	12/31	.44	.46	6/30	.18	.18	4
888 Moore McCormack Res	MMR	24	3	3	1.00	30- 50 (25-110%)	21.1	2.2%	1.14	.52	30	12/31	.35	.50	3/31	.13	.26	4
2026 Morgan (J.P.) & Co	JPM	48	3	1	1.10	60- 75 (30- 65%)	9.9	3.0%	4.67	1.40	21	12/31	1.02	.95	6/30	♦.34	.306	3 PHL
325 Morrison, Inc (OTC)	MORR	26	4	3	1.00	30- 45 (15- 75%)	17.9	1.8%	1.45	.48	84	11/30	.37	.37	3/31	.12	.114	3
876 Morrison Knudsen	MRN	52	4	1	.85	60- 70 (15- 35%)	13.3	2.9%	3.92	1.50	33	12/31	.99	1.21	3/31	.37	.74	3
1882 1674 Morse Shoe	MRS	39	–	3	1.00	35- 55 (N- 40%)	19.8	2.2%	1.97	.85	82	12/31	.59	.48	6/30	.20	.20	3
1179 Mortgage Growth Inv (ASE)	MTG	22	3	2	.80	25- 35 (15- 60%)	12.9	7.5%	1.71	1.65	74	11/30	.37	.36	3/31	.40	.40	2
1189 Mortgage & Rity Trust	MRT	22	3	3	.80	25- 35 (15- 60%)	12.8	8.6%	1.75	1.90	74	12/31	.42	.72	3/31	.47	.57	3
516 Morton Thiokol	MTI	48	3	3	1.00	50- 70 (5- 45%)	16.8	1.8%	2.90	.78	15	12/31	.88	.68	3/31	.19	.175	3 PHL
1673 Motorola, Inc	MOT	80	3	3	1.25	80- 85 (20- 70%)	28.8	1.3%	1.88	.64	77	12/31	.49	.37	6/30	.16	.16	3 ASE
382 Multimedia, Inc (OTC)	MMEDC	54	–	3	NMF	50- 80 (N- 50%)	NMF	NIL	d.03	NIL	71	9/30	d.01	.44	12/31	NIL	NIL	–
1510 Munford, Inc	MFD	19	5	3	.95	20- 35 (5- 85%)	38.0	2.8%	.48	.54	72	12/31	.28	.78	6/30	.135	.135	4
1810 Munsingwear	MUN	11	4	3	.80	20- 30 (80-175%)	22.9	NIL	.48	NIL	22	12/31	d.17	.10	3/31	NIL	NIL	4
414 Murphy Oil Corp	MUR	31	3	3	1.15	25- 40 (N- 30%)	NMF	2.4%	.16	.75	51	12/31	d.15	.49	3/31	.25	.25	1 PAC
891 1766 Murray Ohio Mfg	MYO	24	4	3	.85	25- 40 (5- 65%)	37.0	2.5%	.89	.60	83	12/31	d.54	d.03	6/30	.15	.30	4
2106 Mut I of Omaha Inv Sh	MUO	17	3	1	.80	15- 20 (N- 20%)	NMF	8.5%	NMF	1.44	33	6/30	14.04(q)	13.33(q)	6/30	.36	.36	3
1281 Mylan Labs	MYL	18	3	3	1.00	18- 30 (15- 90%)	33.5	0.8%	.58	.10	9	12/31	.15	.17	3/31	.05	.033	4 ASE
884 NBD Bancorp	NBD	36	2	1	1.00	35- 45 (0- 30%)	9.3	3.4%	3.75	1.20	34	12/31	1.03	.87	3/31	.30	.230	3
839 1126 NBI, Inc	NBI	10	4	4	1.35	17- 25 (70-150%)	NMF	NIL	d.50	NIL	52	12/31	d.43	NIL	3/31	NIL	NIL	3 CBO
517 NCH Corp	NCH	34	2	1	.70	45- 55 (30- 80%)	18.7	2.1%	2.04	.72	18	1/31	♦.51	.44	3/31	.18	.18	4
2037 NCNB Corp	NCB	25	3	2	1.00	35- 45 (40- 80%)	8.8	3.4%	2.55	.86	31	12/31	.58	.52	3/31	.21	.19	3
1186 NCR Corp	NCR	66	3	2	1.25	60- 85 (N- 30%)	18.1	1.5%	3.64	1.00	7	12/31	1.39	1.33	6/30	▲.25	.23	3 CBO
1587 NEC Corp (ADR) (OTC)	NIPNY	63	4	3	.85	50- 75 (N- 20%)	NMF	0.4%	.50	.25	75	9/30	.35(p)	.44(p)	12/31	.137	.111	1
340 1862 NL Inds	NL	9¾	–	4	NMF	8- 12 (40-105%)	NMF	3.4%	d2.22	20-NIL	80	9/30	d8.19	.07	6/30	.05	.05	– PHL
1439 485 NUI Corp	NUI	42	2	2	.80	35- 45 (N- 5%)	15.2	5.8%	2.77	2.36	70	12/31	1.20	.70	3/31	.58	.58	3
281 NWA Inc	NWA	71	2	3	1.15	80- 115 (15- 60%)	17.7	1.3%	4.01	.90	12	12/31	.48	d.09	3/31	.225	.225	3 CBO
1881 NACCO Inds A	NC	28	3	3	.70	30- 40 (5- 45%)	11.2	1.8%	2.49	.50	44	12/31	.85	.61	3/31	.125	.092	3
518 Nalco Chemical	NLC	33	3	3	1.00	35- 55 (5- 65%)	17.7	3.6%	1.86	1.20	15	12/31	.41	.47	3/31	.30	.30	3
1127 Nashua Corp	NSH	29	3	3	1.15	30- 45 (5- 55%)	13.8	1.8%	2.10	.30	52	12/31	.43	.51	6/30	.05	NIL	3
857 National City Corp (OTC)	NCTY	34	2	1	.85	35- 45 (5- 30%)	8.9	3.7%	3.42	1.25	34	12/31	1.29	.77	6/30	▲.30	.25	3
1128 National Computer (OTC)	NLCS	16	4	3	1.25	25- 40 (55-165%)	17.6	1.3%	.85	.20	52	10/31	.13	.20	6/30	.05	.04	4
1520 National Convenience Str	NCS	9⅝	5	4	1.05	10- 20 (5-110%)	NMF	3.8%	.10	36-NIL	72	12/31	d.02	d.02	6/30	.09	.09	4
2125 National Data Corp (OTC)	NDTA	25	2	3	1.10	30- 50 (20-100%)	30.8	1.8%	1.20	.44	1	11/30	.30	.24	3/31	.11	.11	3
1139 1888 National Distillers	DR	61	2	3	.85	65- 95 (5- 55%)	24.2	3.8%	2.52	2.20	10	12/31	.90	.53	3/31	.55	.55	2 ASE
1885 National Education	NEC	25	2	3	1.00	30- 50 (20-100%)	21.4	NIL	1.17	NIL	25	12/31	.42	.32	3/31	NIL	NIL	3
877 National Enterprises	NEI	5	3	5	1.50	6- 9 (20- 80%)	31.3	NIL	.16	NIL	39	12/31	d.02	d.23	12/31	NIL	NIL	5
486 National Fuel Gas	NFG	41	4	2	.65	40- 50 (N- 20%)	10.6	5.8%	3.85	2.38	70	12/31	1.16	1.23	6/30	♦.57	.52	2
1483 National Intergroup	NII	14	4	4	1.30	20- 30 (45-115%)	NMF	1.8%	d1.84	25- .16	58	12/31	d.40	d.67	6/30	.062	.062	4
1395 National Medical Enterpr	NME	28	3	3	1.40	50- 80 (80-185%)	15.1	2.3%	1.86	.64	68	11/30	.38	.49	3/31	.15	.14	3 ASE
232 National Patent Dev (ASE)	NPD	15	▼5	4	1.20	25- 40 (60-165%)	NMF	0.7%	d.60	.10	77	9/30	d.26	d.27	3/31	.025	.025	5 PAC
1741 142 National Presto Ind	NPK	33	4	1	.70	40- 50 (20- 50%)	14.5	3.9%	2.28	1.17	17	12/31	.70	.80	6/30	.285	.55	3
1874 National Semiconductor	NSM	15	3	4	1.50	14- 25 (N- 65%)	NMF	NIL	NIL	NIL	77	11/30	d.09	d.48	3/31	NIL	NIL	3 CBO
1494 National Service Ind	NSI	27	3	1	.75	25- 35 (N- 30%)	11.3	2.4%	1.51	.64	58	11/30	.37	.35	3/31	▲.16	.137	4
837 1325 National Standard Co	NSD	13	4	3	.75	15- 20 (15- 55%)	NMF	3.1%	d1.19	40-NIL	41	12/31	d1.23	.45	3/31	.10	.10	4
189 Navistar Int'l	NAV	6⅞	4	5	1.00	7- 13 (0- 90%)	NMF	NIL	NIL	NIL	29	1/31	.02	.08	12/31	NIL	NIL	4
1391 819 Neutrogena Corp (e) (OTC)	NGNA	34	▲1	3	.45	25- 40 (N- 20%)	49.3	0.4%	.69	.12	11	1/31	♦.30	.17	12/31	NIL	NIL	3
1721 Nevada Power	NVP	21	3	2	.60	25- 30 (20- 45%)	11.9	7.0%	1.76	1.46	80	12/31	.26	.16	3/31	.36	.355	3
883 Newell Co	NWL	36	3	3	.95	40- 60 (10- 65%)	14.8	2.3%	2.42	.84	43	12/31	.84	.61	3/31	.21	.175	4
1436 New England Bus (OTC)	NEBS	24	3	2	.55	35- 50 (45-110%)	21.8	2.0%	1.10	.48	–	12/31	.25	.23	3/31	▲.12	.04	3
195 New England Elec	NES	29	3	2	.70	30- 35 (5- 20%)	8.9	6.9%	3.27	2.00	80	12/31	.83	.67	6/30	.50	.48	2
877 Newhall Land & Farming	NHL	36	3	3	.80	40- 60 (10- 65%)	15.4	2.5%	2.34	.90	82	12/31	.71	.53	3/31	.20	.10	4
★ ★ 234 Newmont Mining	NEM	85	2	3	1.05	95- 145 (10- 70%)	30.5	1.2%	2.79	1.00	13	12/31	.30	d.18	3/31	.25	.25	1 PHL
160 Newport Corp (OTC)	NEWP	16	4	3	1.30	25- 35 (55-120%)	24.6	0.4%	.65	.06	38	1/31	.11	.13	12/31	.03	.03	5
1290 1702 New Process (ASE)	NOZ	31	3	3	.95	25- 40 (N- 30%)	15.5	3.8%	2.00	1.18	46	12/31	.71	.71	3/31	.805	.875	3
1786 New World Pictures (ASE)	NWP	13	–	5	NMF	16- 30 (25-130%)	15.5	NIL	.84	NIL	63	9/30	.13	.05	3/31	NIL	NIL	–
198 N.Y. State Elec. & Gas	NGE	28	3	3	.85	30- 50 (5- 80%)	7.3	9.6%	3.85	2.68	80	12/31	.79	.68	3/31	.66	.64	3
1818 N.Y. Times (ASE)	NYTA	45	2	3	1.10	50- 75 (10- 65%)	24.9	0.9%	1.81	.40	6	12/31	.43	.36	6/30	.09	.075	3 PAC
197 Niagara Mohawk	NMK	17	5	4	.80	25- 35 (45-105%)	8.4	12.2%	2.66	2.08 1.42	80	12/31	.58	.58	3/31	.52	.52	4 ASE

(c) Dividends estimated partly exempt from ordinary income tax.
d Deficit
(e) Includes distribution of assets.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown: the first is the most likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. Dollars at Value Line estimated translation rate.
(j) Trading suspended.
(k) 12 months (m) 9 months (p) 6 months
(q) Asset value (r) Estimates
(s) Rank removed due to outstanding exchange offer
(u) Excludes distribution of assets.
N Negative figure NA Not available
NC Not comparable NMF No meaningful figure

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THE VALUE LINE Investment Survey

Part 3 Ratings & Reports

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File in the binder in order of edition number, removing previous edition bearing the same number.

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★Computer Sciences Corp	2119
Cullinet Software, Inc	2120
General Motors "E"	2121
ISC Systems Corp	2122
Intelogic Trace, Inc	2123
★★Lotus Development Corp	2124
★National Data Corp	2125
★★Reuters Holdings PLC (ADR)	2126
★Shared Medical Systems Corp	2127
★★Telecredit, Inc	2128
★★Telerate, Inc	2129
★★UCCEL Corp	2130
UNASSIGNED STOCKS	**2131**
AST Research, Inc	2132
★Quantum Corp	2133
★★Standard Products Co	2134
Washington R E I T	2135
Williams (A L.) Corp	2136
SUPPLEMENTARY REPORTS	**2142**

★★Rank highest for Timeliness
★Rank above average

ESPECIALLY NOTEWORTHY:

We welcome four new companies to this week's Edition. ***Branch Corp.*** *(page 2010),* ***First Alabama Bankshares*** *(page 2020), and* ***Meridian Bancorp.*** *(page 2034) have been deposited in the Bank Industry, while* ***Comp-U-Card*** *(page 2061) has been hooked up to the Financial Services Industry.*

Cyclops *has recently received some eye-popping attention. Read about this take-over odyssey on page 2113.*

Now that it has avoided ***First Interstate's*** *amorous embrace,* ***Bank-America*** *can resume its search for profitability. Pages 2022 and 2003.*

NCNB's *Chilean loans proved far too spicy for management's taste. Are more portfolio sales likely? Our answer is on page 2037.*

Midlantic Banks has decided that its enhanced operations deserve a new name. Hence, ***Midlantic Corp.,*** *which can now be found on page 2035.*

Lomas & Nettleton *is charging into the credit card business. See page 2070.*

Investors need to be swift-of-foot to keep pace with ***Fleet's*** *rapid growth. Turn to page 2027 for more.*

Sallie Mae *is still winning hearts on Wall Street. Page 2073.*

Bank of New England *is sprouting branches throughout Massachusetts, thanks to its acquisition of Conifer. Our analysis is rooted on page 2006.*

Will any of ***Lotus'*** *leaves be picked by Microsoft? Return to page 2124 for a printout of the situation.*

In three parts: Part I is the Summary & Index. Part II is Selection & Opinion. This is Part III, Ratings & Reports. Volume XLII, No. 26.

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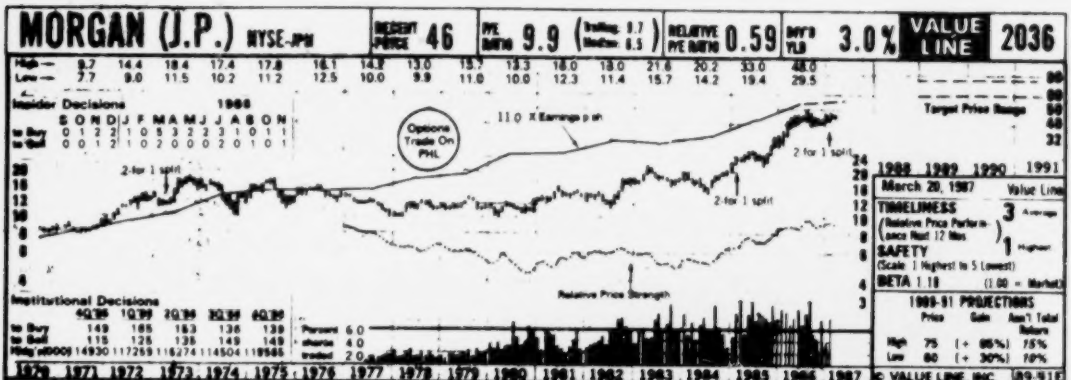
MORGAN (J.P.) NYSE-JPM
RECENT PRICE 46
P/E RATIO 9.9 (Trailing: 9.7 Median: 8.5)
RELATIVE P/E RATIO 0.59
DIV'D YLD 3.0%
VALUE LINE 2036
Insider Decisions 1986
Options Trade On PHL
11.0 X Earnings p sh
2-for-1 split
Target Price Range 1988 1989 1990 1991
March 20, 1987 Value Line
TIMELINESS 3 (Relative Price Performance Next 12 Mos)
SAFETY 1 (Scale: 1 Highest to 5 Lowest)
BETA 1.10 (1.00 = Market)
Institutional Decisions
1989-91 PROJECTIONS
Price Gain Ann'l Total Return
High 75 (+ 65%) 15%
Low 60 (+ 30%) 10%
Relative Price Strength

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	© VALUE LINE, INC.	89-91
70	75	82	97	1.17	1.24	1.26	1.34	1.64	1.77	2.24	2.27	2.67	2.63	2.94	3.91	4.74	5.10	Earnings per sh (A)	6.25
.31	.34	.35	.37	.41	.45	.46	.51	.57	.64	.72	.79	.87	.94	1.03	1.13	1.26	1.40	Div'ds Decl'd per share	1.85
5.13	5.57	6.02	6.53	7.14	8.31	8.40	10.29	11.38	12.80	14.09	15.52	17.11	18.85	20.85	23.70	27.42	30.80	Book Value per sh	43.80
146.40	146.40	146.29	146.44	146.43	146.83	154.78	154.71	154.58	154.67	154.71	155.93	158.40	162.78	167.08	174.78	177.98	180.00	Common Shs Outst'g (C)	185.00
17.4	11.3	14.5	15.1	11.8	11.7	11.4	9.1	7.0	8.7	5.1	6.0	5.3	6.8	5.9	6.4	8.6		Avg Ann'l P/E Ratio	11.0
.82	.72	.99	1.49	1.65	1.56	1.46	1.19	.95	.97	.88	.73	.58	.57	.55	.52	.58		Relative P/E Ratio	.90
3.9%	4.1%	3.0%	2.6%	3.0%	3.1%	3.2%	4.2%	4.9%	5.4%	6.3%	5.8%	6.1%	5.3%	5.9%	4.5%	3.1%		Avg Ann'l Div'd Yield	2.7%
28766	31664	38536	43488	51991	53522	58597	58023	64126	69375	76039	79000	Total Assets ($mill)	85000
13733	15895	18807	22158	25872	28220	31149	32974	35239	36278	33783	36000	Loans ($mill)	40000
516.8	521.0	563.0	636.7	778.2	750.8	986.7	1119.9	1051.8	1418.3	1557.3	1600	Net Interest Inc ($mill)	1850
88.2	47.6	33.6	29.8	42.1	51.2	114.0	230.0	150.0	335.0	265.0	180	Loan Loss Prov'n ($mill)	225
252.5	233.7	299.2	357.7	431.5	485.2	495.5	557.9	628.5	907.7	1281.0	1400	Noninterest Inc ($mill)	2250
324.9	347.1	409.3	470.0	573.4	612.0	703.3	797.1	856.1	1075.4	1407.3	1550	Noninterest Exp ($mill)	2150
262.8	218.3	286.9	288.3	387.7	374.5	441.7	480.0	520.3	705.4	872.5	825	Net Profit ($mill)	1200
40.1%	38.4%	38.5%	34.3%	38.1%	34.6%	34.8%	29.3%	22.8%	23.0%	25.2%	27.0%	Income Tax Rate	30.0%
.70%	.69%	.69%	.66%	.71%	.70%	.75%	.79%	.81%	1.02%	1.15%	1.15%	% Earned Total Assets	1.25%
545.9	622.5	523.3	580.1	577.2	526.0	709.0	793.0	786.0	1400.0	2334.0	2400	Long-Term Debt ($mill)	2400
1455.6	1591.8	1758.7	1949.3	2180.4	2420.0	2710.0	3319.0	3734.0	4362.0	5130.0	5700	Net Worth ($mill)	6100
5.1%	5.0%	4.8%	4.5%	4.2%	4.5%	4.6%	5.7%	5.8%	6.3%	6.8%	7.5%	% R W to Tot Assets	8.0%
47.7%	50.2%	48.8%	51.0%	50.0%	52.7%	53.2%	56.8%	55.0%	52.3%	44.4%	46.0%	% Loans to Tot Assets	54.0%
12.9%	13.7%	15.2%	14.8%	16.9%	15.5%	16.3%	13.9%	13.9%	16.1%	17.0%	16.0%	% Earned Net Worth	15.0%
9.1%	8.7%	10.2%	9.7%	11.8%	10.4%	11.3%	9.5%	9.6%	12.0%	13.0%	12.0%	% Retained to Comm Eq	10.0%
35%	38%	33%	35%	30%	33%	31%	37%	36%	30%	27%	29%	% All Div'ds to Net Prof	30%

CAPITAL STRUCTURE as of 12/31/86
LT Debt $2334.0 mill. **LT Interest** $220 mill
Due in 5 Yrs $500 mill.
Incl. $3 mill. capitalized leases.
Incl. $1 mill. 4¼% debs. ('87), callable 100, conv. into 38.28 shs. at $26.13; $16 mill. 4¾% debs. ('98), callable 102.14, conv into 25 shs. at $40.
Pension Liability None in '86 vs. None in '84
Pfd Stock $250.0 mill. **Pfd Div'd** $14.0 mill.
2,800,000 shs. Series A adjustable-rate (currently 5.625%) cum. pfd. redeemable at $100 from 3/1/86 to 2/9/88 and at $100 thereafter
Common Stock 177,959,045 shs.
(Adj. for stock split pd. 1/15/87.)

ASSETS (bank)	1984	1985	12/31/86
Loans	38239.0	36278.0	33783.0
Funds Sold	1989.0	2379.0	3988.0
Securities	9170.0	13675.0	17289.0
Other Earning	9729.0	9053.0	11062.0
Other	8019.0	8090.0	9937.0
LIABILITIES (bank)			
Deposits	38780.0	39845.0	42960.0
Funds Borrowed	16011.0	18614.0	20953.0
Long-Term Debt	786.0	1400.0	2334.0
Net Worth	3734.0	4362.0	5130.0
Other	4835.0	5124.0	4962.0
Total	84126.0	89378.0	76039.0
Loan Loss Reserv	683.0	793.0	910.0

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est '84-'86 to '88-'90
Loans	8.5%	1.0%	5.0%
Earnings	9.5%	8.0%	10.0%
Dividends	7.5%	5.5%	10.0%
Book Value	9.0%	6.5%	12.5%
Total Assets	8.5%	5%	4.0%

Calendar	LOANS ($ mill.) Mar. 31	June 30	Sept. 30	Dec. 31
1983	32239	32325	31568	32974
1984	34112	35239	35176	35239
1985	34769	35228	36574	36278
1986	36489	37316	33471	33783
1987	34000	34000	35000	36000

Calendar	EARNINGS PER SHARE (A) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	.69	.65	.58	.71	2.63
1984	.76	.55	.68	.95	2.94
1985	.93	.88	1.16	.94	3.91
1986	1.28	1.29	1.15	1.02	4.74
1987	1.25	1.25	1.30	1.30	5.10

Calendar	QUARTERLY DIVIDENDS PAID (B) Mar. 31	June 30	Sept. 30	Dec. 31	Full Year
1983	.231	.231	.231	.231	.93
1984	.25	.25	.25	.25	1.00
1985	.275	.275	.275	.275	1.10
1986	.306	.306	.306	.306	1.23
1987	.34				

BUSINESS: J.P. Morgan & Co., Inc. owns Morgan Guaranty Trust Company of New York (4th largest U.S. bank on basis of assets). Primarily serves large corporations. Has one of the largest trust departments in U.S. Branches in many foreign countries. Internat. earnings: 48% of consol. net profit. Net loan losses: 4% of average gross loans in '86. Loan loss reserve: 2.6% of gross loans outstanding at 12/31/86. Loan portfolio breakout at 12/31/85: domestic, 40%; foreign, 60%. Employee costs: 10% of gross income. Approx. 13,500 employees; 26,000 stockholders. Chairman: Lewis T. Preston. President: Dennis Weatherstone Inc.: Delaware. Address: 23 Wall Street, New York, New York 10015. Tel.: 212-483-2323.

J.P. Morgan's Timeliness rank has dropped a notch since our last report. Money center bank stocks have been generally weak performers in past months as investors have turned their attention away from interest rate-sensitive stocks. With interest rates now on a more even keel, after a striking two year decline, big earnings gains at most banks will be harder to come by. In addition, more problems have been brewing on the Latin American front. This year's debt negotiations with Brazil got off to a stormy start when that nation suspended interest payments on its medium and long term debt. If Brazil's moratorium on interest payments is extended, bank earnings could be penalized in 1987. (This bank had more than $1.8 billion in loans outstanding to Brazil at year-end 1985.) However, bank stocks are still selling at deep discounts to the market multiple, and J.P. Morgan still stands out from the herd as a company with favorable earnings growth prospects. We think 3- to 5-year share price appreciation potential is significant. Accordingly, patient investors may be interested in these shares.

Among the banks with big international exposures, Morgan's balance sheet is the best. At year-end 1986 Morgan's loan loss reserve stood at 2.62% of gross loans outstanding, the highest in the money center by a wide margin. The bank has about $840 million in accrued but unrealized investment securities gains on its books. And the bank's capital ratios are very high.

The balance sheet strength is extremely important. It means that recent earnings have been conservatively stated. It keeps the bank's cost of funds relatively low. And it provides a very good base for future earnings growth, since banks make money by leveraging their capital.

Morgan will probably keep expanding the range of its banking activities. Investment banking activities have become a more important source of profits for the bank as demand for commercial loans has waned. Already the bank has achieved prominent success in Eurobond underwriting, in private placements and in public finance. Recently, the bank has been beefing up merger and acquisitions advisory services.

Janet Lyons Richard T. Anderson

(A) Fully diluted earnings. In '70: 82¢ excl securities gains. '70: 8¢; '71: 15¢; '72: 4¢; '73: 3¢; '74: 18¢; '75: 10¢; '77: 2¢; '78: 12¢; '80: 32¢; '81: 33¢; '82: 57¢. Excl. nonrecurring gain: '84: 20¢. Next earnings report due late Apr. (B) Next dividend meeting about June 10. Goes ex about June 17. Dividend payment dates: Jan. 15, Apr. 15, July 15, Oct. 15. ■ Dividend reinvestment plan available (5% discount). (C) In mill., adjusted for stock splits & div'ds.

Company's Financial Strength	A++
Stock's Price Stability	95
Price Growth Persistence	50
Earnings Predictability	95

Factual material is obtained from sources believed to be reliable, but the publisher is not responsible for any errors or omissions contained herein.

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

Case No. _____

In Re: KENDAVIS INDUSTRIES INTERNATIONAL, INC.; KENDAVIS HOLDING COMPANY, LOFFLAND BROTHERS COMPANY, MID CONTINENT SUPPLY COMPANY, GEODRIL, INC. LOFFLAND BROTHERS EASTERN HEMESPHERE, [sic] INC., and LOFFLAND BROTHERS (SINAPORE) [sic] PTE, LTD., *Debtors*	U.S. BANKRUPTCY COURT NORTHERN DISTRICT OF TEXAS CASE NO. 385-30348-A-11; (Administratively Consolidated) and UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION CASE NO. 3-86-2995-G

AFFIDAVIT OF JOHN THOMAS WARD IN SUPPORT OF EMERGENCY APPEAL TO THE U.S. COURT OF APPEALS FOR THE FIFTH CIRCUIT

STATE OF TEXAS
COUNTY OF TARRANT

BEFORE ME the undersigned authority on this 11th day of Arpil [sic], 1987, personally appeared John Thomas Ward, Assistant Manager, Internal Audit, for Kendavis Industries International, Inc., (hereinafter "Kendavis") who after being duly sworn by me did state upon his oath and of his own personal knowledge, as follows;

(1) My name is John Thomas Ward. I am above the age of 21 years old and fully qualified and competent to make this Affidavit.

(2) I have been employed by Kendavis Industries International, Inc. for twelve (12) years. I have been Assistant Manager of the Internal Audit Department of Kendavis for approximately six (6) years.

(3) I am personally familiar with the records of Kendavis which show the pre-petition creditors of Kendavis and its subsidiaries. The creditors which had claims against Kendavis and its subsidiaries at the time of the filing of the petitions for bankruptcy in the United States Bankruptcy Court for the Northern District of Texas are recorded by computer. Bankruptcy Case No. 385-30348-A-11 contains claims filed for such creditors.

(4) A personal inspection of the records of Kendavis and its subsidiaries shows that the following pre-petition creditors have claims against Kendavis and its subsidiaries:

	MIS CREDITOR NO.
FRIGETTE CORPORATION	
AT&T	0018509
HARRISBURG, INC.	
AT&T	0018501
AT&T	0018509
Amoco Oil Company ..... [formerly Standard Oil Co. (Indiana)]	0190501
Mississippi Power Co. ..... (Subsidiary of Mid-South Utilities)	2178500

	MIS CREDITOR NO.
LOFFLAND BROS.	
AT&T	0018500
AT&T	0018501
AT&T	0018502
AT&T	0018504
AT&T	0018506
AT&T	0018507
Amoco Oil Company	0190500
KENDAVIS INDUSTRIES INT'L., INC.	
AT&T	0018501
AT&T	0018504
Travelers	3208300
MIDCO EQUIPMENT CO.	
AT&T	0018501
AT&T	0018503
RIG-A-LITE COMPANY, INC.	
AT&T	0018501
MID-CONTINENT SUPPLY CO.	
AT&T	0018500
AT&T	0018501
AT&T	0018509
AT&T	0018510
Louisiana Power & Light (subsidiary of Mid-South Utilities)	1945503
Mississippi Power Co.	2178501
Mississippi Power & Light	2178000
SLIGO, INC.	
AT&T	0018501
Amoco Oil Company	0190502

	MIS CREDITOR NO.
UNIT RIG & EQUIPMENT CO.	
AT&T	0018500
AT&T	0018502
AT&T	0018505
AT&T	0018510
AT&T	0018511
AT&T	0018512
GLOBE MACHINERY AND SUPPLY COMPANY	
AT&T	0018501
AT&T	0018511
AT&T	0018512

(5) Globe Machinery and Supply Company, Unit Rig & Equipment Co., Sligo, Inc., Mid-Continent Supply Co., Rig-A-Lite, Midco Equipment Co., Kendavis Industries International, Inc., Loffland Brothers Company, Harrisburg, Inc. and Frigette Corporation are all subsidiaries of Kendavis Holding Company.

(6) I was requested to accumulate the information concerning the creditors listed in paragraph 4 on April 8, 1987. It was furnished to legal counsel for Kendavis and Mr. Ken Davis on April 11, 1987.

(7) Further affiant sayeth not.

SIGNED this 11th day of April, 1987.

/s/ JOHN T. WARD
John Thomas Ward
Assistant Manager Internal Audit,
Kendavis Industries International
Inc.

SUBSCRIBED AND SWORN to before me by John Thomas Ward this 11th day of April, 1987.

/s/ SUSAN CHESSHIRE
Notary Public in and for the
State of Texas

SUSAN CHESSHIRE, Notary Public
in and for the State of Texas
My Commission Expires 9-6-90.

Filed In The U.S. District Court, Northern District of Texas
on April 10, 1987

Entered On Docket Pursuant To F.R.C.P.
Rules 58 and 79a.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In Re:

KENDAVIS HOLDING COMPANY, et al.,
Debtors

KENDAVIS HOLDING COMPANY, et al.,
Movants

vs.

OFFICIAL UNSECURED CREDITORS' COMMITTEES FOR KENDAVIS HOLDING COMPANY, et al.,
Creditors/Respondents

C.A. No. 3-86-2995-G
(Hon. A. Joe Fish)

ORDER GRANTING COMMITTEES' MOTION TO QUASH NOTICE OF THE DAVIS FAMILY TO TAKE DEPOSITION OF THE HONORABLE ROBERT C. McGUIRE, UNITED STATES BANKRUPTCY JUDGE

CAME ON TO BE HEARD on this the *10* day of April, 1987 in said District, the Committees' Motion to Quash Notice of the Davis Family to Take Deposition of the Honorable Robert C. McGuire, United States Bankruptcy Judge, and Brief, and after consideration of the evidence before the court, the pleadings on file and argument of counsel, it appears to the court that said motion should be granted, it is therefore:

ORDERED that the Committees' Motion to Quash Motion of the Davis Family to Take Deposition of the Honorable Robert C. McGuire, United States Bankruptcy Judge shall be in all things granted; it is further

ORDERED that the deposition of the Honorable Robert C. McGuire, United States Bankruptcy Judge, which is scheduled to commence at 10:00 o'clock a.m. on April 11, 1987 and continuing thereafter from day to day until completed shall be quashed by order of this court.

SIGNED this the *10* day of April, 1987 in Dallas, Texas.

/s/ A. JOE FISH
United States District Judge

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In Re:

KENDAVIS INDUSTRIES INTERNATIONAL, INC., KENDAVIS HOLDING COMPANY and LOFFLAND BROTHERS COMPANY,
Debtors

Case No. 385-30348-M-11 (Administratively Consolidated)

ORDER SUSPENDING THE TAKING OF THE DEPOSITION OF THE HONORABLE ROBERT C. McGUIRE, UNITED STATES BANKRUPTCY JUDGE

CAME ON FOR HEARING on this _____ day of April, 1987, in said District, the Committee's Motion to Quash Notice Of The Davis Family to Take Deposition Of The Honorable Robert C. McGuire, United States Bankruptcy Judge and Brief, and the Davises' Objection to the Committees' Motion to Quash Notice Of The Davis Family To Take Deposition of the Honorable Robert C. McGuire, United States Bankruptcy Judge, and Brief, and after consideration of the pleadings on file and arguments of counsel, it appears to the Court that the deposition of the Honorable Robert C. McGuire should be suspended pending further order from either the United States District Court for the Northern District of Texas or the Fifth Circuit Court of Appeals; it is therefore

ORDERED that the deposition of the Honorable Robert C. McGuire rescheduled for April 18, 1987, at 10:00 o'clock a.m. is indefinitely suspended pending further order from either the United States District Court for the Northern District of Texas or the Fifth Circuit Court of Appeals.

SIGNED this _____ day of April, 1987.

_____
United States Bankruptcy Judge

APPROVED AS TO FORM ONLY:

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Miller
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By: /s/ JOHN G. TRUELSON
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